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DE RUEHCHI #0174/01 3220108  
ZNY CCCCC ZZH  
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FM AMCONSUL CHIANG MAI  
TO RUEHC/SECSTATE WASHDC PRIORITY 0894  
INFO RUEHHS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS  
RUEHOO/CHINA POSTS COLLECTIVE  
RUEHCHI/AMCONSUL CHIANG MAI 0969

C O N F I D E N T I A L SECTION 01 OF 03 CHIANG MAI 000174

SIPDIS

E.O. 12958: DECL: 11/14/2018  
TAGS: [ECON](#) [ELTN](#) [ECIN](#) [EINV](#) [ELAB](#) [ETRD](#) [EWWT](#) [PREL](#) [BM](#) [VM](#)  
LA, TH  
SUBJECT: WITHOUT BURMA, EAST-WEST CORRIDOR IS UNDERUSED AND  
UNDERVALUED

REF: A. A. CHIANG MAI 169: CROSS-BORDER MOVEMENT OF PEOPLE EXPANDS WITH GREATER MEKONG HIGHWAY  
[1](#)B. B. CHIANG MAI 96: AFTER NARGIS, A BORDER TRADE BOOM IN THAILAND'S FAVOR  
[1](#)C. C. 2007 CHIANG MAI 166: GATEWAY OR SPEED-BUMP? NORTHERN THAILAND AND THE KUNMING-BANGKOK

CHIANG MAI 00000174 001.2 OF 003

CLASSIFIED BY: Kevin Rosier, Consular-Political Officer,  
Consulate General, Chiang Mai.  
REASON: 1.4 (b), (d)

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Summary and Comment  
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[1](#)1. (SBU) Stretching 1,056 miles from Rangoon, Burma to Da Nang, Vietnam, the R2 highway remains incomplete, underused, and with little economic value to date. Though the Asian Development Bank (ADB), the mind behind this highway and the larger Greater Mekong Subregion infrastructure project, considers the R2 complete, the irregularity of road width and unsettled border-crossing agreements leaves the highway underused. Most notably, on the western end, Burma sits as the darkness at the end of the corridor with the R2 coming to a meaningless end at the Thai-Burma border. With the ADB unable to operate in Burma, Thailand has stepped in to fund the remaining western portion of the highway, highlighting the economic importance of Burma for Thailand.

[1](#)2. (C) Comment: The RTG's decision to fund directly construction of the R2 highway within Burma is not only a sign of Thai business' eagerness to unleash Burma's trade and investment opportunities; it is also an indicator of Thailand's willingness to deal with the Burmese regime. Thai businesses see completion of the highway as an economic win-win for themselves and their Burmese neighbors. Economic benefit for other Asian countries, however, will be minimal unless Burma fully develops the Moulmein seaport (the R2's western terminus).  
End Summary and Comment.

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One Lane, Two Lanes; Four Lanes, Six Lanes  
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[1](#)3. (U) The idea of the R2 highway (aka the East-West Economic Corridor, or EWEC) was born over a decade ago with a proposal by a Thai economist to develop a land bridge that would slice through the lower north of Thailand to connect the Andaman Sea with the South China Sea. Later, the RTG modified the idea of the land bridge into a crossroads with the North-South Economic Corridor, which connects southern China to Bangkok. The roads, or "corridors," would meet in the northern Thai city of Phitsanulok, at what is now known as the "Indochina Junction." Later, the Asian Development Bank (ADB) absorbed the plan into its Greater Mekong Subregion project, labeling the R2 route "the East-West Economic Corridor."

[1](#)4. (U) At present, the EWEC, which stretches 1,056 miles from Rangoon to Da Nang, is only half complete. About half of the highway, or 478 miles, already exists in Thailand, but is not completed to ADB standards. Only 35% of the Thai portion is considered complete, the Phitsanulok Highway Director told EconOff and EconLES during a recent trip. The RTG considers a

portion of the highway "complete" only when it has expanded to at least four lanes. For the 478 miles of the EWEC in Thailand, the road narrows and widens from two to four to six lanes at various points, making the traffic flow along the route inconsistent and inefficient.

15. (SBU) Of the 65% that is not complete, only 90 miles are currently under construction. The remaining 262 miles are pending RTG funding, about which the Phitsanulok Highway Director is not optimistic. He speculates that the entire route within Thailand will not be upgraded to the four-lane minimum until 2013. The construction cost for expanding the route within Thailand is just under \$300 million.

16. (SBU) The challenges of EWEC construction and implementation are not only in Thailand. According to the Phitsanulok Highway Director, Vietnam has been reluctant to sign an agreement that would facilitate the movement of vehicles across its border. In Burma, the challenge is infrastructure, where the current road from Myawaddy (opposite Thailand's Mae Sot border town) to Rangoon is mostly an unpaved, single lane allowing one-way traffic that switches direction between day and night. With all of these obstacles still left to overcome, the EWEC is far from reaching its perceived potential.

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The Road to Nowhere (a.k.a. Burma)  
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CHIANG MAI 00000174 002.2 OF 003

17. (C) It is far from guaranteed whether Thailand will ever see and enjoy the EWEC's full potential. Both private and public sector actors who monitor the EWEC say that Burma is the main barrier to the highway's completion. The Phitsanulok Chamber of Commerce said that greater access to the Burma market is a priority. An advisor to the Chamber said that even with the existing single-lane, unpaved portion of the highway in Burma, Thai exports to Burma via Mae Sot average about 10 billion baht (or \$300 million) per year. (Note: This figure is based on border trade and includes estimates of unofficial Thai exports.)

The Chamber expects this border trade value to increase significantly once EWEC improvement is completed. "We can't imagine how much exports will increase once the road is done," said the Chamber's President, noting that the more advanced infrastructure will reduce costs for border trade and cross-border investments, such as contract farming. He commented also that while the North-South Economic Corridor would mostly benefit China, Thailand is the real winner in the EWEC because it would offer greater access to Burma.

18. (C) Thailand is not the only country keeping its eye on economic access to Burma. The Phitsanulok Chamber of Commerce said that a Singaporean company made an agreement with the GOB to operate the seaport at Moulmein. Currently, the Moulmein port is undeveloped; and the Singaporean company has plans to revamp the seaport. When asked why Thailand did not seek control of this port, the Chamber representative said, "Singapore got it first." Also, other Asian countries, such as Taiwan, have been using Thailand as a midpoint to export to the Burmese market. The Chamber reported, for example, that a Taiwanese trader put a recent order in to a Phitsanulok-based auto parts sub-contractor to export the goods to Burma.

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A Costly Thai Solution  
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19. (C) With so much economic potential for Thailand, the RTG -- after significant lobbying from the Thai business community -- agreed to finance the construction of the EWEC road inside Burma. The entire 30-mile route within Burma has an estimated \$8.8 million price tag and is provided as a direct government grant to be disbursed in parts. The first 11 miles from Myawaddy is already complete, and the final 19 miles to the Moulmein seaport, which must cut through a rugged mountainous area in Karen state, is still in the design phase. After RTG-GOB negotiations last August in Mae Sot on EWEC construction, the GOB persuaded the Thais to build a new road that will dip southward, rather than improve the existing road connecting Myawaddy and Moulmein, according to Mae Sot business leaders who attended the negotiations.

Wanted: Burmese Speakers

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¶10. (SBU) In the meantime, northern Thailand is creating an environment that is more amenable to stronger economic relations with Burma. One example is the Center for Myanmar Studies at Naresuan University in Phitsanulok, which receives significant guidance and support from the RTG Ministry of Foreign Affairs. The Center, which currently enrolls about 20 participants per year, instructs Thai students in Burmese language skills and culture. Under sponsorship from the Thai MFA, the Center recently published the first set of Thai-Burmese language materials in celebration of the 60th anniversary of Thai-Burmese diplomatic relations.

¶11. (SBU) According to the Center's director, demand for Burmese-speaking Thais outweighs supply. Not only do NGOs and hospitals that assist Burmese clients require Burmese speakers, but also the many Thai companies that do business in Burma also recruit them. The Center is looking for ways to make Burmese studies more attractive, such as offering the option of cross-enrollment with other faculties. The Director said that students are unaware of the high job-market demand for Burmese-speaking Thais.

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All Quiet on the Eastern Front  
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¶12. (SBU) With Thailand putting its attention and money on the western side of the EWEC, all is quiet on the Laos and Vietnam sides of the highway. Thailand views Laos, which offers few export opportunities, as a mere transit point on the way to Vietnam and the South China Sea. Although its growing economic might suggests that Vietnam would be an active player in the EWEC, business experts here say that Vietnam and Thailand have not gone beyond an exchange of business delegations in building

CHIANG MAI 00000174 003.2 OF 003

up their bilateral economic relationship with respect to the EWEC.

¶13. (U) This cable was coordinated with Embassy Rangoon.

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